



HOUSE OF COMMONS

LONDON SW1A 0AA

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A handwritten signature in dark ink, appearing to read 'Andrew Turner'.

Wightlink Ltd – Financial structure of Company

I am the Member of Parliament for the Isle of Wight and, as such, represent Islanders in dealing with many issues affecting their day to day lives.

In case you have not previously heard of the Isle of Wight we are a diamond shaped Island, some 23 by 13 miles in size, located a few miles off the South coast of England. The Island has a resident population of almost 140,000 people. The local economy relies heavily on tourism because the Island is blessed with a very beautiful natural environment. However much employment related to tourism is seasonal and the Island is a relatively low wage economy when compared to neighbouring mainland areas. I would be happy to supply more information about the Island should you be interested to receive it.

Wightlink Ltd, which has been part of the Macquarie Group since 2005, provides lifeline ferry services to the residents of the Isle of Wight as well as the means by which tourists reach the Island. There has recently been a serious reduction in timetabled evening and overnight services, which is causing great hardship for a large number of my constituents. Islanders rely on the ferries for access to many health services, education and employment opportunities as well as to maintain cultural, social and family ties to the mainland. The recent service cuts have thrown into sharp relief a number of related issues, some of which were raised during a recent public meeting held here on the Island. This letter follows up points raised by concerned members of the public at that meeting and I am therefore seeking clarification of some of the funding details behind Wightlink Ltd.

Wightlink's chief executive, Russell Kew, has cited difficult economic circumstances leading to the necessity for the current reduction in ferry services. Wightlink's most recent accounts, filed in December 2012, show a profit of around £8.6 million. In the

Andrew Turner: Member of Parliament for the Isle of Wight



current challenging economic climate I believe that represents a significant achievement by the management and staff of Wightlink. However, their holding company, MEIF Shipping Ltd reported a loss of some £44 million. This loss can largely be attributed to the fact that they are paying another unidentified Macquarie Group company interest on a £273 million loan at a quite incredible rate of 17%. This arrangement amounts to more than £40 million a year payable in interest payments; that money will ultimately have to come from those who rely on the ferry services.

As the Bank of England base rate is currently 0.5% and even credit cards are available with interest rates at less than 10% I am sure you will understand why this is causing such widespread concern. The press are understandably demonstrating a keen interest in this inter-company arrangement which has become public knowledge at a time when the lifeline services on which my constituents rely, are being cut back so drastically. In order to be able to obtain answers to reasonable questions from my constituents and the press I have publicly undertaken to write to you to seek some answers about the funding arrangements behind Wightlink.

For clarity, I do not suggest that there is anything illegal in those arrangements – indeed I am perfectly sure there is not – so I feel certain that you will welcome this opportunity to be open and transparent with my constituents who are your customers and contribute so much of the income to one of the Macquarie Group companies.

I would be grateful if you could confirm which Macquarie Group company is the ultimate beneficiary of the interest payments made by MEIF Shipping and where that company is based for tax purposes. Clearly with inter-company interest liabilities of over £40 million per annum this adds considerably to the economic challenges that Wightlink face in delivering regular and affordable ferry services to my constituents and others. It would be most helpful if you could also clarify what UK tax reliefs and their total value are being claimed by Macquarie group companies in relation to this loan and the interest payments it attracts.

Along with many others, I am of course concerned by the apparently very high interest rate on this inter-company loan. I would welcome clarity on how this rate came to be fixed at such a level and what immediate plans you may have to bring it more into line with the current low interest rate climate in the UK. In seeking this information I am of course aware and mindful of, comments made in financial documents relating to Wightlink, about the lack of effective competition and the low likelihood of future competition on the routes on which it operates for a number of reasons. Those high barriers of entry to the market were confirmed in a Market Study undertaken by the Office of Fair Trading in 2009 and the observations made in the financial documents in relation to potential competition and competitors have proved remarkably accurate to date.



You may be aware that a number of large multi-national companies have recently received heavy criticism in the UK for putting in place complex tax avoidance strategies. These companies include such giants as Amazon, Google and Starbucks. I hope you will be able to reassure me that no Macquarie Group company is engaged in such activities; that UK tax is paid on all UK generated profits and further, that the tax losses that appear to be generated are fully justified. If it were to be found otherwise I am sure you would understand this would add perceived insult to injury to my constituents who pay Wightlink ferry fares out of their hard-earned taxed income.

I do not know whether you are a frequent visitor to the United Kingdom; if so I would be more than happy to welcome you to the Isle of Wight and arrange a public meeting giving you the opportunity to personally answer the concerns of my constituents. If that will not be possible I would be grateful if you could arrange for a senior UK based colleague to visit the Island to take part in such a meeting. I am perfectly prepared to countenance the possibility that some concerns that have been raised with me may be misconceived, so I am sure that as a reputable company operating across many countries Macquarie would welcome such an opportunity to answer and quash any false rumours or misinformation that may be circulating. I know that many of my constituents would be very willing to attend such a meeting.

As I have already indicated I am asking these questions on behalf of others as well as myself, so I will be putting this letter and your response in the public domain.

In view of the high level of current public interest in these issues I do hope that you will be able to give this letter your earliest attention.

I look forward to hearing from you.

Yr friendly
Andrew Turner

Andrew Turner
Member of Parliament for the Isle of Wight